

Message Text

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SUBJECT: EC ENERGY COUNCIL, MARCH 29, 1977: RESULTS

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1. SUMMARY: DURING THEIR MARCH 29 COUNCIL SESSION, THE EC ENERGY MINISTERS WERE ABLE TO APPROVE THE ISSUANCE OF EURATOM LOANS WHEN THE UK LIFTED ITS RESERVATION. IN RETURN, THE COUNCIL DIRECTED THE EC COMMISSION TO STUDY OPTIONS FOR PROMOTION OF INVESTMENTS IN THE ENERGY SECTOR, INCLUDING THE UK PROPOSAL FOR A MINIMUM SUPPORT PRICE. THE ENERGY MINISTERS ALSO EXTENDED THE VALIDITY OF EXISTING COKING COAL ARRANGEMENTS THROUGH 1981 AND HELD DISCUSSIONS ON THE COAL MARKET SITUATION, REFINERY SECTOR PROBLEMS, ENERGY CONSERVATION, THE EC ENERGY SITUATION, AND THE ENERGY WORK PROGRAM FOR THE FIRST HALF OF 1977. THE MINISTERS ALSO DISCUSSED INFORMALLY UK SECRETARY OF STATE BENN'S UPCOMING WASHINGTON TRIP AND NOTED THAT HE WOULD NOT SPEAK FOR THE EC COUNCIL. END SUMMARY.

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2. EURATOM LOANS.

A) THE DECISION: THE UK DROPPED ITS YEAR-OLD RESERVE ON THE EURATOM LOAN ISSUE, ALLOWING COUNCIL ADOPTION OF A DECISION EMPOWERING THE COMMISSION TO ISSUE LOANS OF UP TO 500 MILLION UNITS OF ACCOUNT (\$550 MILLION) FOR THE PURPOSE OF FINANCING INVESTMENT PROJECTS RELATING TO THE INDUSTRIAL PRODUCTION OF

ELECTRICITY IN NUCLEAR POWER STATIONS AND TO INDUSTRIAL FUEL CYCLE INSTALLATIONS. THE COMMISSION IS RESTRICTED TO BORROWING NO MORE THAN THE AMOUNTS OF THE LOANS FOR WHICH IT HAS RECEIVED APPLICATIONS. BORROWING AND LENDING TRANSACTIONS RELATING TO THESE LOANS ARE TO BE EXPRESSED IN THE SAME CURRENCY AND CARRIED OUT ON THE SAME TERMS AS REGARDS THE REPAYMENT OF PRINCIPAL AND THE PAYMENT OF INTEREST. COSTS INCURRED BY THE EC IN CONCLUDING AND CARRYING OUT EACH TRANSACTION ARE TO BE BORNE BY THE BENEFICIARY UNDERTAKINGS CONCERNED.

B) BACKGROUND: THE EURATOM LOAN ISSUE WAS ACTUALLY THE LAST ITEM ON THE AGENDA, PERMITTING THE UK TO ANNOUNCE THAT, IN VIEW OF THE EARLIER COUNCIL DISCUSSIONS ON COAL AND MSP (DISCUSSED BELOW), HMG WAS LIFTING ITS RESERVE ON THE LOANS. UK MINISTER OF STATE FOR ENERGY MABON TOLD REPORTERS LATER THAT HE HAD ALSO MADE A STATEMENT THAT THE UK LOOKED FORWARD TO FURTHER PROGRESS IN THE RESEARCH COUNCIL ON THE JET SITING QUESTION (SEE SEPTTEL). MABON ADOPTED A SOMEWHAT UNCONVINCING RATIONALE WITH REPORTERS ON THE EURATOM LOANS APPROVAL, SAYING THAT HMG HAD "ALWAYS REGRETTE" BEING IN THE POSITION OF BLOCKING THE LOANS BUT THAT THIS POSITION WAS A RESULT OF UNHAPPINESS WITH ACTIONS IN OTHER AREAS, ESPECIALLY COAL, AND THAT, WHEN IT BECAME CLEAR THAT PROGRESS ON COAL WOULD BE MADE, HE EXERCISED HIS MANDATE TO LIFT THE UK RESERVE.

3. PROMOTION OF INVESTMENTS - BEFORE DISCUSSING EURATOM LOANS, THE COUNCIL ASKED THE COMMISSION TO SUBMIT TO IT, AT ITS JUNE 14 MEETING, PROPOSALS FOR A SET OF MEASURES TO PROMOTE AND PROTECT INVESTMENT IN THE ENERGY SECTOR. EACH OPTION PRESENTED LIMITED OFFICIAL USE

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IS TO BE ACCOMPANIED BY A DRAFT DIRECTIVE FOR COUNCIL CONSIDERATION. THE COUNCIL'S INSTRUCTIONS TO THE COMMISSION SPECIFIED THE UNDERSTANDING THAT THE COMMISSION'S OPTIONS SHOULD INCLUDE MSP AS WELL AS OTHER MEASURES SUCH AS SUBSIDIES AND INVESTMENT GUARANTEES, BUT THAT THE COMMISSION STUDY WOULD NOT IMPLY ADVANCE ACCEPTANCE IN PRINCIPLE BY ANY MEMBER STATE OF ANY PARTICULAR OPTION.

4. MABON TOLD REPORTERS AFTER THE MEETING THAT THE MOST SIGNIFICANT FEATURE OF THE DECISION WAS THE COMMITMENT BY THE COUNCIL, INCLUDING THE PREVIOUSLY OBSTINATE FRENCH, TO EXAMINE MSP. HE CONTINUED IN A HOPEFUL VEIN: "I THINK THE FRENCH ARE SHIFTING. THEY BELIEVE THEY HAVE ALTERNATIVE STRATEGIES WHICH MIGHT BE ACCEPTABLE TO THE UK; AND WE WOULD LIKE TO SEE THESE. THEY ARE COMMITTED TO EXAMINE MSP, AND WE ARE COMMITTED TO EXAMINE ALTERNATIVES. IF YOU KNOW THE FRENCH, AND DEAL WITH THEM LONG ENOUGH, THAT IS AMAZING PROGRESS. AT LEAST IN JUNE, WE WILL HAVE A CHOICE, AND THE FRENCH WILL HAVE A CHOICE." MABON STRESSED THAT NO OTHER EC MEMBER STATE

FACES THE PROBLEM OF PROTECTING INVESTMENTS ON THE SCALE OF THOSE REQUIRED FOR THE UK'S NORTH SEA OIL FIELDS. HE SAID THAT THE UK POSITION HAS ALWAYS BEEN THAT MSP SHOULD APPLY TO ALL FORMS OF INVESTMENT IN ENERGY, INCLUDING COAL AND NUCLEAR ENERGY--BOTH OF WHICH ARE ENORMOUSLY EXPENSIVE. HE ADDED THAT "THE BEAUTY OF MSP" IS THAT, UNLIKE OTHER MEASURES, IT COSTS NO MONEY UNTIL THE NEED ARISES. MABON DECLINED TO SPECULATE ON WHAT A REASONABLE MSP FOR OIL MIGHT NOW AMOUNT TO BUT ACKNOWLEDGED HMG'S VIEW THAT \$7 PER BARREL (THE UK'S ORIGINAL 1975 PROPOSAL) WAS A "PURELY HISTORICAL FIGURE."

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5. COAL MARKET SITUATION - THE COUNCIL DISCUSSED A COMMISSION PAPER ANALYZING THE SITUATION IN THE EC COAL MARKET. WHILE IT DID NOT DISCUSS THE COMMISSION'S PROPOSAL FOR A COMMON AUTOMATIC LICENSING SYSTEM FOR COAL IMPORTS INTO THE EC AREA, IT AGREED THAT EACH MEMBER STATE IS TO REPORT REGULARLY AND AUTOMATICALLY TO THE COMMISSION ON ITS OWN METHOD OF SURVEYING COAL IMPORTS FROM NON-EC STATES. THE COMMISSION IS TO STUDY APPROPRIATE MEANS OF IMPLEMENTING THIS INFORMATION SYSTEM AND SUBMIT A REPORT FOR COUNCIL REVIEW AT ITS JUNE 14 MEETING.

6. COKING COAL ARRANGEMENTS - THE COUNCIL AGREED IN PRINCIPLE THAT EXISTING COKING COAL SUBSIDY ARRANGEMENTS SHOULD BE EXTENDED THROUGH 1981 (RATHER THAN THROUGH 1985 AS RECOMMENDED BY THE COMMISSION) ON THE UNDERSTANDING THAT ARRANGEMENTS TO APPLY IN 1980-1981 WOULD BE REEXAMINED BEFORE THE END OF 1979,

BUT WITHOUT PREJUDGING THE QUESTION OF THE GRADUAL REDUCTION OF AID IN THOSE TWO YEARS. THE DECISION IS TO BE FORMALIZED AFTER AN ITALIAN "PROVISIONAL" RESERVE, TO ALLOW CONSULTATION WITH ROME, IS REMOVED.

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7. WORK PROGRAM - THE COUNCIL TOOK FORMAL NOTE OF A COMMISSION REPORT ON PROGRESS MADE IN THE IMPLEMENTATION OF THE ENERGY WORK PROGRAM FOR THE FIRST HALF OF 1977, ADOPTED DECEMBER 21, 1976 (REF B), AND INSTRUCTED COREPER TO CONTINUE WORK ON THE FILE TO ALLOW COUNCIL ACTION DURING ITS JUNE MEETING.

8. EC ENERGY SITUATION - THE COUNCIL DISCUSSED A COMMISSION PAPER ON "POLITICAL ASPECTS" OF THE EC ENERGY SITUATION, COMPARING NATIONAL VIEWS ON PROSPECTS FOR TRADITIONAL ENERGY SECTORS AS WELL AS ON PROBLEMS POSED BY THE DEVELOPMENT OF NUCLEAR AND OTHER NEW ENERGY SOURCES (REF A). THE COUNCIL AGREED TO HOLD TWICE-YEARLY DISCUSSIONS OF THIS NATURE AND TO DISCUSS PARTICULAR PROBLEMS RELATING TO NUCLEAR ENERGY DEVELOPMENT AT ITS JUNE 14 MEETING.

9. CONSERVATION - FOLLOWING DEBATE ON FRENCH AND COMMISSION PROPOSALS FOR AN EC ENERGY-SAVING PROGRAM, THE COUNCIL REQUESTED THAT THE ENERGY COMMITTEE MEET IN THE NEAR FUTURE TO CONSIDER AND GIVE POLITICAL IMPETUS TO CONSERVATION QUESTIONS. IT DECIDED THAT THE REGULARLY CONSTITUTED ENERGY COMMITTEE COULD HOLD SPECIAL MEETINGS ON ENERGY SAVING AND THAT A NEW ENERGY SAVING POLICY COMMITTEE AS RECOMMENDED BY THE COMMISSION WAS NOT NEEDED. THE COMMISSION IS ALSO TO SUBMIT TO THE JUNE COUNCIL MEETING A NEW SERIES OF SPECIFIC CONSERVATION RECOMMENDATIONS. UK SECRETARY OF STATE FOR ENERGY BENN (AS COUNCIL PRESIDENT) HAD PROPOSED THAT THE COUNCIL'S CONSERVATION DISCUSSIONS BE OPEN TO THE PRESS BUT RECEIVED NO SUPPORT. BENN TOLD REPORTERS LATER THAT HE WOULD ASK THAT THE ISSUE OF OPEN MEETINGS BE RAISED AT THE APRIL 5 FOREIGN MINISTERS COUNCIL. BENN STRESSED THAT THE DISCUSSIONS THEMSELVES HAD BEEN PRODUCTIVE, AND REFLECTIVE OF A WIDE EC CONSENSUS ON THE NEED FOR ENERGY SAVINGS.

10. REFINERY SECTOR PROBLEMS - THE COUNCIL DISCUSSED PAPERS FROM SEVERAL MEMBER STATES (E.G., ITALIAN, FRENCH AND DUTCH) AND A REPORT FROM THE COMMISSION ON PROBLEMS OF REFINERY CAPACITY, LIMITED OFFICIAL USE

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IMPORTS OF PETROLEUM PRODUCTS, AND MONITORING OF TRADE AND REFINING.

BENN TOLD REPORTERS LATER THAT THE MINISTERS CONSIDERED THE DOSSIER TOO COMPLEX TO DEAL WITH IMMEDIATELY AND REFERRED IT BACK TO COREPER WITH INSTRUCTIONS THAT IT BE SUBMITTED AGAIN TO THE JUNE 14 MEETING.

11. BENN TRIP TO WASHINGTON - THE MINISTERS MET FOR DINNER MARCH 28 (ON THE EVE OF THE COUNCIL MEETING) FOR INFORMAL DISCUSSIONS OF, AMONG OTHER THINGS, BENN'S UPCOMING WASHINGTON TRIP. MABON TOLD REPORTERS NO ONE MADE ANY SPECIFIC POINTS FOR BENN TO CARRY WITH HIM AND THERE WAS NO TALK OF HIS BEING ACCORDED A MANDATE TO SPEAK FOR THE EC ON ENERGY.

12. COMMENT: BRITISH OFFICIALS FEEL PARTICULARLY UNHAPPY REGARDING THE RESULTS OF THESE TWO COUNCILS ON MARCH 29: BY RELEASING ITS MAJOR HOSTAGE--EURATOM LOANS--BEFORE OBTAINING SATISFACTION ON MSP AND SELECTION OF CULHAM FOR JET, HMG NOW HAS LITTLE LEVERAGE TO ASSURE FAVORABLE DECISIONS ON EITHER SUBJECT. BECAUSE OF THE ACRIMONIOUS DEBATE IN THE RESEARCH COUNCIL AND LINGERING UNHAPPINESS OVER THE BRITISH POSITION ON AGRICULTURAL PRICES AND THE EC FISHERY POLICY DURING THE AGRICULTURAL COUNCIL EARLIER IN THE WEEK, THE UK EVEN APPEARS TO BE GETTING LITTLE RECOGNITION FOR HAVING RELEASED EURATOM LOANS. HINTON

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